

**TOWN OF WINDHAM,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018**

TOWN OF WINDHAM, NEW HAMPSHIRE
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PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen
Town of Windham
Windham, New Hampshire

We have audited the accompanying financial statements of the governmental activities, major fund, and aggregate remaining fund information of the Town of Windham as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund, and aggregate remaining fund information of the Town of Windham, as of December 31, 2018, and the respective changes in financial position and, the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2-C to the financial statements, in fiscal year 2018 the Town adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Town of Windham
Independent Auditor's Report

Other Matters

Required Supplementary Information – Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements:

- Management's Discussion and Analysis,
- Schedule of the Town's Proportionate Share of Net Pension Liability,
- Schedule of Town Contributions – Pensions,
- Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability,
- Schedule of Town Contributions – Other Postemployment Benefits,
- Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios, and
- Notes to the Required Supplementary Information

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information – Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Windham's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

October 25, 2019

Plodzik & Sanderson
Professional Association

Town of Windham, New Hampshire **Management's Discussion and Analysis**

The following is a narrative overview and analysis of the financial activities of the Town of Windham (the Town) for the fiscal year ended December 31, 2018. We encourage readers to consider the information presented here in conjunction with the Town's financial statements, which follow this section.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Windham's basic financial statements. The basic financial statements of the Town of Windham are comprised of four components:

1. government-wide financial statements
2. fund financial statements
3. notes to the financial statements
4. required supplementary information

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the finances of the Town of Windham. These statements (Statement of Net Position and Statement of Activities) provide both short-term and long-term information about the Town's overall financial position. They are prepared using the accrual basis of accounting, which recognizes all revenues and expenses connected with the fiscal year even if cash has not been received or paid.

The Statement of Net Position presents information on all of the Town's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the net total reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. However, other non-financial factors, such as changes in the Town's property tax base, the Town's overall debt level and the condition of the Town's infrastructure and capital assets, will need to be considered to assess the overall financial health of the Town.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All of the Town's activities are categorized as Governmental Activities. The Town's basic services are reported here, including police, fire, general government, highway, sanitation, recreation and financial administration. Property taxes, state aid, motor vehicle fees, and charges for services finance these activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Windham, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds: *Governmental* funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements, and include most of the basic services provided by the Town. However, unlike the government-wide financial statements,

Town of Windham, New Hampshire **Management's Discussion and Analysis**

governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

These funds are reported using the *modified accrual basis of accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps the users of the Town's financial reports to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. The relationship (differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is described in a reconciliation presented with the fund financial statements.

The Town of Windham maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be the Town's only major fund. Data from the other governmental funds are combined into a single, aggregate presentation.

The Town of Windham adopts an annual appropriated budget for the major general fund and one non-major fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

Fiduciary Funds: *Fiduciary Funds* are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs of the Town of Windham. The Town's fiduciary funds consist of private-purpose trust funds and agency funds.

Notes to the Financial Statements

The notes provide additional information that is essential to gaining a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a schedule of contributions for the Town's pensions, a schedule of the Town's proportionate share of net pensions liability, a schedule of the Town's proportionate share of net other postemployment benefits liability, a schedule of Town's contributions to other postemployment benefits and a schedule of changes in the Town's total other postemployment benefits liability and related ratios.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's net position totaled \$21.6 million at the end of 2018, which represents a decrease of \$1.1 million, or 4.94%, as compared to the end of 2017.

The Town implemented Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2018. The beginning net position for governmental activities was restated by \$(1,101,415) for the OPEB provided

Town of Windham, New Hampshire
Management's Discussion and Analysis

by NHRS and \$(532,566) for the Town's local OPEB plan to retroactively report the increase in the net OPEB liability as of July 1, 2017.

Statement of Net Position

The following is a summary of condensed government-wide financial data showing net position as of December 31, 2018 and December 31, 2017:

		12/31/2018	12/31/2017	% Change
			(as restated)	
Cash, receivables & other assets		24,553,425	23,767,277	3.31%
Capital assets, net		37,054,923	37,760,801	-1.87%
	Total Assets	61,608,348	61,528,078	0.13%
Deferred outflows of resources		2,125,598	2,599,674	-18.24%
Accrued liabilities & payables		20,544,040	18,668,639	10.05%
Bonds, leases & long-term liabilities		20,119,426	20,805,993	-3.30%
	Total Liabilities	40,663,466	39,474,632	3.01%
Deferred inflows of resources		1,433,737	1,892,378	-24.24%
Net position:				
Net investment in capital assets		36,060,250	36,560,123	-1.37%
Restricted		526,721	530,828	-0.77%
Unrestricted		(14,950,228)	(14,330,209)	-4.33%
	Total Net Position	21,636,743	22,760,742	-4.94%

Total net position is presented in three categories: net investment in capital assets, restricted, and unrestricted.

The largest component of net position is the investment in capital assets (e.g. land, buildings, machinery and equipment). The figure presented (\$36.1 million) is net of any related debt incurred to acquire those assets. These assets are utilized by the Town of Windham to provide services to its residents, therefore they are not available for future spending.

A certain portion (\$526 thousand or 2.4%) of the net position is restricted in regard to how it may be used. For the Town of Windham, those restrictions include those related to the use of library funds and the balances of governmental funds that are restricted for other uses (refer to Note 18 – Governmental Activities Net Position for further details). The remaining portion (-\$15.0 million or -69.1%) of the net position is unrestricted.

Statement of Activities

The following is a summary of condensed government-wide financial data of changes in net position for the years ending December 31, 2018 and December 31, 2017:

		12/31/2018	12/31/2017	% Change
Program revenues:			(as restated)	

Town of Windham, New Hampshire
Management's Discussion and Analysis

Charges for services		1,191,723	1,217,282	-2.10%
Operating grants and contributions		456,531	417,601	9.32%
Capital grants and contributions		56,800	0	100.00%
	Total program	1,705,054	1,634,883	4.29%
General revenues:				
Property & other taxes		7,922,906	7,618,887	3.99%
Licenses & permits		4,335,163	4,096,997	5.81%
Grants & contributions		808,200	844,968	-4.35%
Other general revenues		613,232	730,343	-16.04%
	Total general	13,679,501	13,291,195	2.92%
	Total revenues	15,384,555	14,926,078	3.07%
Program expenses:				
General government		3,313,820	3,383,288	-2.05%
Public safety		7,642,053	7,817,626	-2.25%
Highways and streets		2,711,031	2,429,010	11.61%
Health and welfare		98,546	81,393	21.07%
Sanitation		998,660	884,960	12.85%
Culture, recreation, conservation		1,731,638	1,780,290	-2.73%
Interest		12,806	19,469	-34.22%
	Total expenses	16,508,554	16,396,036	0.69%
Increase(decrease) in net position		(1,123,999)	(1,469,958)	23.54%
Net position, beginning (restated)		22,760,742	24,230,700	-6.07%
Net position, ending		21,636,743	22,760,742	-4.94%

The Town's net position decreased by \$1.1 million, or (4.94%) during 2018, as compared to a decrease of \$1.5 million, or (6.07%) in the previous year. The primary funding source for governmental activities are taxes (52% of all revenues) and licenses/permits (28% of all revenues). Total 2018 revenues of \$15.39 million were lower than the 2018 expenses of \$16.51 million, leading to the decrease in net position. Revenue in 2018 was higher than the 2017 revenue by \$458 thousand, or 3.07%. This increase was mostly driven by an increase of \$304 thousand in property and other tax revenues and an increase of \$238 thousand in License and permits, offset by decreases of \$117 thousand in other general revenues and \$37k in grants and contributions.

Total expenses during 2018 of \$16.5 million were higher than 2017 expenses of \$16.4 million by \$112 thousand, or 0.69%. The largest increases were in the highways and streets category of \$282 thousand and in the Sanitation category of \$114 thousand.

Financial Analysis of Town of Windham Funds

Governmental Funds. At the end of 2018 and 2017, the combined fund balances for all governmental funds were as follows (details in Exhibit C-3):

	<u>2018</u>	<u>2017</u>
General Fund	\$1,711,538	\$1,864,756
Other Governmental Funds	1,736,981	1,712,628
Total Governmental Fund Balance	\$3,448,519	\$3,577,384

As discussed in Note 1, the Town of Windham has a Fund Balance policy in accordance with the provisions of GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*,

Town of Windham, New Hampshire
Management's Discussion and Analysis

which establishes the classifications used in the Town's governmental fund financial statements. In total, when comparing December 31, 2018 to December 31, 2017, the total fund balance on the Governmental Funds Balance Sheet as of December 31, 2018 of \$3.4 million was lower than the \$3.6 million as of December 31, 2017. The decrease in the general fund portion reflects the negative budgetary variance in the general fund discussed later in this report. The increase in total other governmental fund balances is a result of normal account activity.

Under the modified accrual basis of accounting, the fund balance reflected above for the general fund is adjusted each year for property tax revenue that is not collected within sixty days of the fiscal year-end. This amount is impacted by the timing of the issuance of the December tax bills, as the balance in uncollected taxes at the end of each year flows through this portion of the fund balance, thus causing fluctuation from year to year.

The fund balance in the other governmental funds category includes many of the Town's special revenue funds, and is detailed in Schedule 4. The fund balances in all other governmental funds of \$1.8 million increased by approximately \$24 thousand as compared to the 2017 balance. These other governmental funds are restricted for the purposes originally established at the time of appropriation. The largest single funds on December 31, 2018 were the Public Safety Impact Fees Fund with a fund balance of \$375 thousand (increasing by \$40 thousand over the previous year) and the Cable and Health Expendable Trust with a fund balance of \$364 thousand (decreasing by \$42 thousand over the previous year). The most significant activity within the other individual funds were the increase of \$81 thousand in the Land Purchase Conservation Fund balance and the decrease of \$31 thousand in the Public Safety Detail balance, while most other fund balances remained similar.

In regards to the general fund, the Board of Selectmen have formalized a policy that calls for the unassigned fund balance (budgetary basis) to be maintained at \$300,000. This level represents less than 1% of the combined town, school and county revenues committed in 2018. The remainder of the unassigned fund balance in the General Fund is used to reduce the current year tax rate. The level of unassigned fund balance available to reduce the current year tax rate is summarized in the following table:

	<u>2018</u>	<u>2017</u>
Total fund balance – budgetary basis	\$1,333,948	\$1,503,780
Portion designated as committed	(78,855)	(386,219)
Portion designated as assigned	(164,733)	(178,325)
Available for tax rate setting (Unassigned)	\$1,090,360	\$939,236

The amount of the December 31, 2017 fund balance used to reduce the 2018 tax rate was \$639 thousand, as compared to \$857 thousand used for the 2017 tax rate. After this reduction, the net unassigned fund balance as of December 31, 2018 ended up at \$1.1 million due to the variance in budgeted expenditures and revenues, which will be discussed later in this report.

General Fund Budgetary Highlights

As shown in the chart below, the Town of Windham stayed within its authorized General Fund budget. The actual revenues and other financing sources, totaling \$14.6 million, along with the use of \$639 thousand in fund balance, supported the overall actual expenditures and other financing uses of \$14.5 million. The actual revenues include the amount of unanticipated revenues received and accepted by the Board of Selectmen throughout the year and the encumbrances from year to year.

Town of Windham, New Hampshire
Management's Discussion and Analysis

In comparing budget to actual amounts (inclusive of amounts encumbered to the subsequent year), the total revenues were lower than those budgeted, and total expenditures were also lower than those budgeted, resulting in a positive combined budgetary variance of \$790 thousand.

	Final Budget	Actual	Variance
		<i>(Budgetary Basis)</i>	
Revenues	\$14,174,781	14,516,343	341,562
Bond Proceeds	2,000,000	0	(2,000,000)
Transfers In	100,000	88,350	(11,470)
Expenditures	(16,834,017)	(14,373,749)	2,460,268
Transfers Out	(80,000)	(80,000)	-
Net	(\$639,236)	\$151,124	790,360

After accounting for the \$2 million reduction in revenue due to the Conservation land purchase not being completed in 2018 due to legal issues, actual revenues and transfers in were higher than the final budgeted amounts by a combined \$330 thousand. This was primarily due to various differences in actual amounts collected by the Town, including increases in taxes (\$121 thousand), license and permit fees (\$82 thousand) and charges for services (\$63 thousand) through the end of fiscal 2018, as compared to budgeted amounts set in the fall of 2017. These budgeted amounts were set based on both previous calendar year trends as well as preliminary collections to date through September, and the Town normally takes a conservative approach to projecting revenues for the remainder of the year.

Actual expenditures and transfers out were less than the final budget by \$460 thousand (after accounting for the matching \$2 million reduction in expenditures due to the land purchase referenced above), resulting in a positive budgetary variance. The variance was driven by savings of \$107k in General Government, \$106k in Highways and Streets, \$93k in Public Safety and \$56k in Culture and recreation, offset by higher than budgeted spending in welfare (\$12 thousand). This resulted in some departmental budgets showing a negative variance in expenditures for the year, even though the overall budget shows positive variance.

Revenues and other financing sources used to support the General Fund operations for the year ended December 31, 2018 totaled \$14.6 million, as compared to \$14.7 million for the previous year, or a decrease of \$130 thousand, or 0.9%. This was primarily due to an increase in taxes (\$491 thousand) and licenses and permits (\$238 thousand), offset by a \$850 thousand decrease in bond proceeds. The increase in licenses and permits is due to an overall increase in motor vehicle registration revenue and increased building permit revenue in 2018.

The following comparison shows the breakdown of general fund revenues (from exhibit D), from a budgetary basis, by category and percentage change over the previous year:

	2018	2017	% Change
Revenues:			
Taxes	\$ 7,919,858	\$ 7,428,864	6.6%
Licenses and Permits	4,335,163	4,096,997	5.8%
Intergovernmental	1,149,231	1,178,108	-2.5%
Charges for Services	928,108	888,773	4.4%
Miscellaneous	183,983	210,277	-12.5%

Town of Windham, New Hampshire
Management's Discussion and Analysis

Total revenues	14,516,343	13,803,019	5.2%
Bond Proceeds	-	850,000	-100.0%
Operating transfers in	88,530	81,810	8.2%
Total	\$ 14,604,873	\$ 14,734,829	-0.9%

Expenditures (including principal and interest payments on debt) and other uses totaled \$14.5 million for the year ended December 31, 2018, as compared to \$15.1 million for the previous year, or a decrease of 4.4%. Public safety represented the highest category of spending at 49% of the total spending for General Fund activities in 2018, compared to 46% in 2017. The following comparison shows the breakdown of expenditures by category and percentage change over the previous year (inclusive of amounts encumbered to the subsequent year):

	2018	2017	% Change
Expenditures:			
General Government	\$ 2,928,543	\$ 2,796,680	4.7%
Public Safety	7,031,355	6,981,594	0.7%
Highways and Streets	1,090,735	1,067,417	2.2%
Health and Welfare	98,546	81,393	21.1%
Sanitation	928,433	858,922	8.1%
Culture, Recreation, Conservation	1,466,615	1,440,569	1.8%
Capital Outlay	647,221	1,626,140	-60.2%
Debt Service	182,301	85,715	112.7%
Total expenditures	14,373,749	14,938,430	-3.8%
Operating Transfers Out	80,000	180,000	-55.6%
Total	\$ 14,453,749	\$ 15,118,430	-4.4%

The most significant increase in expenditures over the previous year was in Debt Service due to the need to pay the \$850 thousand borrowed during 2017 to purchase and equip the quint fire truck.

Capital and Debt Administration

The Town of Windham considers a capital asset to be land, buildings, equipment or infrastructure (roadways and bridges) whose cost exceeds \$5,000 and has a useful life of greater than one (1) year. Capital assets are depreciated using the straight-line method over the course of their useful lives. The Town's investment in capital assets as of December 31, 2018 amounted to \$37.1 million, net of accumulated depreciation, representing a decrease of \$706 thousand over the previous year balance of \$37.8 million. The net decrease in value is driven by the excess of the depreciation expense of the town assets over the capital investments during 2018. The following summary shows a yearly comparison of net capital assets by category (see Note 8 in the Notes to the Basic Financial Statements for more detailed information):

Capital Assets	2018	2017	Change
Infrastructure	15,351,919	15,921,202	(569,283)
Construction in Progress, Land and land improvements	13,941,085	14,817,915	(876,830)

Town of Windham, New Hampshire
Management's Discussion and Analysis

Buildings and improvements	4,128,058	4,355,029	(226,971)
Vehicles and equipment	3,633,861	2,666,655	(967,206)
Total capital assets, net	37,054,923	37,760,801	(705,878)

Infrastructure relates to the Town's roadways and bridges, and additions are recorded each year based on the cost of road improvements, as well as the value of completed subdivision roads accepted by the Town each year, offset by regular depreciation of existing infrastructure. Highlights of the other major capitalized assets recorded in 2018 include:

- The Town acquired public safety equipment in the form of 2 cruisers and a detail truck for the Police Department, and received delivery in July 2018 of the new quint fire truck that was paid for during 2017 for the Fire Department.
- The Town paved portions of Aladdin, Sharon, Netherwood, Canterbury, Hidden Valley, Heritage Hill, Anderson, Beacon Hill and Morrisson Rd.
- The Town completed substantial upgrades of the Dispatch Center, including new equipment, replaced the HVAC systems for the Fire Department building, completed a substantial part of replacing the HVAC system for the Police Department building and upgraded the Fire Department portable/mobile radios.

Long-term Debt. During 2018, the Town did not borrow. A \$2,000,000 purchase of conservation land was approved by the voters but could not be closed due to legal issues.

One lease was entered into during 2018 – a three year lease for two Police Department vehicles (\$25.5 thousand payments to be made from 2018 to 2020).

\$151 thousand remains due on all capital leases as of December 31, 2018. See Note 12 in the Notes to the Basic Financial Statements for a summary of all outstanding long-term obligations.

Economic Factors

- The total assessed value on which the tax rate was computed for the 2017 fiscal year increased 1.9% over the previous year (to \$2,348,438,560 from \$2,305,084,080 in 2017) as the Town is continuing to experience new development.
- The total property taxes that were uncollected as of year-end, including liens and tax deeded property, amounted to \$2.1 million as of December 31, 2018, higher than the \$2.0 million as of December 31, 2017. Current year uncollected as a percentage of the total tax levy was 4.0% as of December 31, 2018, which is a decrease from prior year's 4.4%.

Several factors were taken into consideration as Town officials developed the budget for the 2018 fiscal year. Those factors include overall property tax burden from both a town and school district perspective, continuously increasing demands on municipal services and service levels, and compliance with statutory and other legal requirements. The most significant factors affecting local budgets continue to be the cost of employee healthcare and retirement benefits, as well as the need to maintain our existing infrastructure and equipment.

Town of Windham, New Hampshire
Management's Discussion and Analysis

Requests for Information

This financial report is designed to provide a general overview of the finances of the Town of Windham for all those interested in its finances. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to Daniel Popovici-Muller, Finance Director, at 4 North Lowell Rd, Windham, New Hampshire 03087.

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF WINDHAM, NEW HAMPSHIRE
Statement of Net Position
December 31, 2018

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 21,377,513
Investments	124,935
Taxes receivables (net)	2,092,115
Account receivables (net)	313,597
Intergovernmental receivable	45,440
Restricted assets:	
Cash and cash equivalents	599,825
Capital assets:	
Land and construction in progress	13,663,933
Other capital assets, net of depreciation	23,390,990
Total assets	<u>61,608,348</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	1,916,135
Amounts related to other postemployment benefits	209,463
Total deferred outflows of resources	<u>2,125,598</u>
LIABILITIES	
Accounts payable	296,203
Accrued interest payable	9,939
Intergovernmental payable	19,631,439
Escrow and performance deposits	604,711
Other	1,748
Long-term liabilities:	
Due within one year	267,162
Due in more than one year	19,852,264
Total liabilities	<u>40,663,466</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	146,688
Unavailable revenue - grants	273,786
Amounts related to pensions	1,007,834
Amounts related to other postemployment benefits	5,429
Total deferred inflows of resources	<u>1,433,737</u>
NET POSITION	
Net investment in capital assets	36,060,250
Restricted	526,721
Unrestricted	<u>(14,950,228)</u>
Total net position	<u>\$ 21,636,743</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT B
TOWN OF WINDHAM, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended December 31, 2018

	Expenses	Program Revenues			Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 3,313,820	\$ 309,959	\$ -	\$ -	\$ (3,003,861)
Public safety	7,642,053	704,549	-	-	(6,937,504)
Highways and streets	2,711,031	-	341,031	56,800	(2,313,200)
Sanitation	998,660	52,492	-	-	(946,168)
Health	45,826	-	-	-	(45,826)
Welfare	52,720	64,797	-	-	12,077
Culture and recreation	1,689,716	59,926	-	-	(1,629,790)
Conservation	41,922	-	115,500	-	73,578
Interest on long-term debt	12,806	-	-	-	(12,806)
Total governmental activities	<u>\$ 16,508,554</u>	<u>\$ 1,191,723</u>	<u>\$ 456,531</u>	<u>\$ 56,800</u>	<u>(14,803,500)</u>
General revenues:					
Taxes:					
Property					7,738,282
Other					184,624
Motor vehicle permit fees					3,913,816
Licenses and other fees					421,347
Grants and contributions not restricted to specific programs					808,200
Unrestricted investment earnings					36,567
Miscellaneous					576,665
Total general revenues					<u>13,679,501</u>
Change in net position					(1,123,999)
Net position, beginning, as restated (see Note 20)					22,760,742
Net position, ending					<u>\$ 21,636,743</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-1
TOWN OF WINDHAM, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2018

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 19,825,010	\$ 1,552,503	\$ 21,377,513
Investments	-	124,935	124,935
Taxes receivable	2,167,115	-	2,167,115
Accounts receivable (net)	254,054	59,543	313,597
Intergovernmental receivable	-	45,440	45,440
Interfund receivable	45,440	-	45,440
Restricted assets:			
Cash and cash equivalents	599,825	-	599,825
Total assets	<u>\$ 22,891,444</u>	<u>\$ 1,782,421</u>	<u>\$ 24,673,865</u>
LIABILITIES			
Accounts payable	\$ 296,203	\$ -	\$ 296,203
Intergovernmental payable	19,631,439	-	19,631,439
Interfund payable	-	45,440	45,440
Escrow and performance deposits	604,711	-	604,711
Other	1,748	-	1,748
Total liabilities	<u>20,534,101</u>	<u>45,440</u>	<u>20,579,541</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	372,019	-	372,019
Unavailable revenue - highway block grant	273,786	-	273,786
Total deferred inflows of resources	<u>645,805</u>	<u>-</u>	<u>645,805</u>
FUND BALANCES			
Nonspendable	-	345,817	345,817
Restricted	79,636	101,268	180,904
Committed	514,683	955,687	1,470,370
Assigned	177,190	334,209	511,399
Unassigned	940,029	-	940,029
Total fund balances	<u>1,711,538</u>	<u>1,736,981</u>	<u>3,448,519</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 22,891,444</u>	<u>\$ 1,782,421</u>	<u>\$ 24,673,865</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-2
TOWN OF WINDHAM, NEW HAMPSHIRE
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
December 31, 2018

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances of governmental funds (Exhibit C-1)		\$ 3,448,519
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$ 80,318,781	
Less accumulated depreciation	<u>(43,263,858)</u>	
		37,054,923
Pension and other postemployment benefit (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$ 1,916,135	
Deferred inflows of resources related to pensions	(1,007,834)	
Deferred outflows of resources related to OPEB	209,463	
Deferred inflows of resources related to OPEB	<u>(5,429)</u>	
		1,112,335
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (45,440)	
Payables	<u>45,440</u>	
		-
Property taxes are recognized on an accrual basis in the Statement of Net Position and on a modified accrual basis in the governmental funds.		
Deferred inflows of resources - property taxes	\$ 225,331	
Allowance for uncollectible property taxes	<u>(75,000)</u>	
		150,331
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(9,939)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Notes	\$ 843,526	
Capital leases	151,147	
Compensated absences	1,523,685	
Net pension liability	14,652,315	
Other postemployment benefits	<u>2,948,753</u>	
		<u>(20,119,426)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 21,636,743</u></u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-3
TOWN OF WINDHAM, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2018

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 7,929,330	\$ 3,048	\$ 7,932,378
Licenses and permits	4,335,163	-	4,335,163
Intergovernmental receivable	1,149,231	172,300	1,321,531
Charges for services	928,108	263,615	1,191,723
Miscellaneous	196,950	416,282	613,232
Total revenues	<u>14,538,782</u>	<u>855,245</u>	<u>15,394,027</u>
EXPENDITURES			
Current:			
General government	2,908,088	356,926	3,265,014
Public safety	7,072,783	260,270	7,333,053
Highways and streets	1,156,870	56,800	1,213,670
Sanitation	928,433	-	928,433
Health	45,826	-	45,826
Welfare	52,720	-	52,720
Culture and recreation	1,474,541	56,146	1,530,687
Conservation	3,655	38,267	41,922
Debt service:			
Principal	161,512	12,230	173,742
Interest	20,789	-	20,789
Capital outlay	951,202	38,579	989,781
Total expenditures	<u>14,776,419</u>	<u>819,218</u>	<u>15,595,637</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(237,637)</u>	<u>36,027</u>	<u>(201,610)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	11,674	-	11,674
Transfers out	-	(11,674)	(11,674)
Capital leases	72,745	-	72,745
Total other financing sources (uses)	<u>84,419</u>	<u>(11,674)</u>	<u>72,745</u>
Net change in fund balances	(153,218)	24,353	(128,865)
Fund balances, beginning	1,864,756	1,712,628	3,577,384
Fund balances, ending	<u>\$ 1,711,538</u>	<u>\$ 1,736,981</u>	<u>\$ 3,448,519</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-4
TOWN OF WINDHAM, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2018

Net change in fund balances of governmental funds (Exhibit C-3)		\$ (128,865)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Capitalized capital outlay	\$ 1,460,929	
Depreciation expense	<u>(2,166,807)</u>	
		(705,878)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (11,674)	
Transfers out	<u>11,674</u>	
		-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred tax revenue		(9,472)
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Inception of capital lease	\$ (72,745)	
Repayment of note principal	173,742	
Repayment of capital leases	<u>105,008</u>	
		206,005
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 7,983	
Increase in compensated absences payable	(872)	
Net change in net pension liability, and deferred outflows and inflows of resources related to pensions	(138,558)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>(354,342)</u>	
		(485,789)
Changes in net position of governmental activities (Exhibit B)		<u>\$ (1,123,999)</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT D
TOWN OF WINDHAM, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 7,798,160	\$ 7,919,858	\$ 121,698
Licenses and permits	4,253,650	4,335,163	81,513
Intergovernmental receivable	1,095,014	1,149,231	54,217
Charges for services	864,831	928,108	63,277
Miscellaneous	163,126	183,983	20,857
Total revenues	<u>14,174,781</u>	<u>14,516,343</u>	<u>341,562</u>
EXPENDITURES			
Current:			
General government	3,035,210	2,928,543	106,667
Public safety	7,124,130	7,031,355	92,775
Highways and streets	1,196,310	1,090,735	105,575
Sanitation	936,765	928,433	8,332
Health	46,690	45,826	864
Welfare	40,540	52,720	(12,180)
Culture and recreation	1,518,720	1,462,960	55,760
Conservation	6,350	3,655	2,695
Debt service:			
Principal	161,513	161,512	1
Interest	21,289	20,789	500
Capital outlay	2,746,500	647,221	2,099,279
Total expenditures	<u>16,834,017</u>	<u>14,373,749</u>	<u>2,460,268</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,659,236)</u>	<u>142,594</u>	<u>2,801,830</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	100,000	88,530	(11,470)
Transfers out	(80,000)	(80,000)	-
Note proceeds	2,000,000	-	(2,000,000)
Total other financing sources (uses)	<u>2,020,000</u>	<u>8,530</u>	<u>(2,011,470)</u>
Net change in fund balances	<u>\$ (639,236)</u>	<u>151,124</u>	<u>\$ 790,360</u>
Unassigned fund balance, beginning		939,236	
Unassigned fund balance, ending		<u>\$ 1,090,360</u>	

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT E-1
TOWN OF WINDHAM, NEW HAMPSHIRE
Fiduciary Funds
Statement of Net Position
December 31, 2018

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 28,021	\$ 1,431,516
LIABILITIES		
Accounts payable	-	\$ 68,891
Intergovernmental payable	-	1,362,625
Total liabilities	-	\$ 1,431,516
NET POSITION		
Held in trust for specific purposes	\$ 28,021	

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT E-2
TOWN OF WINDHAM, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended December 31, 2018

	Private Purpose Trust
ADDITIONS	
Interest	\$ 3
Net position, beginning	28,018
Net position, ending	<u>\$ 28,021</u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

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TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

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TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Windham, New Hampshire (the Town), have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

In 2018 the Town implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which changed the way other postemployment benefit (OPEB) liabilities and related expenses are recorded. See Note 1-O for further information on this pronouncement.

The more significant of the Town's accounting policies are described below.

1-A Reporting Entity

The Town of Windham is a municipal corporation governed by an elected 5-member Board of Selectmen. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The Town has no component units to include in its reporting entity.

1-B Basis of Accounting, and Measurement Focus

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements – The Town's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities for the Town accompanied by a total column. Fiduciary activities of the Town are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the Town are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated.

Governmental Fund Financial Statements – Include a balance sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying statement is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The Town has presented all major funds that met those qualifications.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement-based grants, which use a period of one year. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental fund:

General Fund – is the Town’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include property taxes, State grants and motor vehicle permit fees. The primary expenditures are for general government, public safety, highways and streets, sanitation, culture and recreation, debt service and capital outlay. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, guidance the library, law enforcement, exaction fee, Searles donation, and expendable trust funds are consolidated in the general fund.

Additionally, the Town reports the following fund types:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Capital Projects Funds – are used to account for the financial resources and activities relating to specific construction projects.

Permanent Fund – are held in the custody of the Trustees of Trust Funds and are used to account for resources held in trust for use by the Town. These can include legal trusts for which the interest on the corpus provides funds for the Town’s cemetery operations.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements. The Town reports eleven nonmajor governmental funds.

Fiduciary Fund Financial Statements – Include a Statement of Net Position and a Statement of Changes in Net Position. The Town’s fiduciary funds are private purpose trust and agency funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting.

The Town also reports the following fiduciary funds:

Private Purpose Trust Fund – are used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments.

Agency Fund – are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets held on behalf of outside parties, including other governments.

1-C Cash and Cash Equivalents

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits and savings accounts.

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

1-D Restricted Assets

Certain Town assets are classified as restricted assets because their use is restricted by statutory limitation.

1-E Investments

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the Town to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the State treasurer.

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

Fair Value Measurements of Investments – In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, except for investments measured using net asset value (NAV) as a practical expedient to estimate fair value, the Town categorizes the fair value measurements of its investments within the fair value hierarchy established by US GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

Level 1 – Inputs reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date. Directly held marketable equity securities would be examples of Level 1 investments.

Level 2 – Inputs are other than quoted prices that are observable for the assets or liabilities, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2.

Level 3 – Inputs are significant unobservable inputs.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, is the level in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the Town and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified in Level 1. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices and classified in Level 1.

In determining fair value, the Town utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

1-F Receivables

Receivables recorded in the financial statements represent amounts due to the Town at December 31. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

1-G Capital Assets

Capital assets include property, plant, and equipment, infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), and intangible assets (i.e. easements) which are reported in the government-wide financial statements. The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. General capital assets are assets of the Town as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the government-wide Statement of Net Position.

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are carried at historical cost or estimated historical cost. When the cost of the capital assets cannot be determined from available records, estimated historical cost is used. Donated capital assets received on or prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Classes:	<u>Years</u>
Land improvements	12 - 15
Buildings and building improvements	15 - 40
Vehicles and equipment	5 - 20
Infrastructure	20 - 50

1-H Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

Interfund Transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-I Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year in accordance with RSA 76:15-a, *Semi-Annual Collection of Taxes in certain Towns and Cities*. Warrants for the year were issued on May 21, 2018 and November 8, 2018, and due on July 2, 2018 and December 10, 2018. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable at year-end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Windham School District, Breezy Gale Village District, Cobbetts Pond Village District, Moeckel Pond Village District, and Rockingham County, which are remitted to these entities as required by law.

The Town net assessed valuation as of April 1, 2018 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 2,318,903.760
For all other taxes	\$ 2,348,438.560

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The tax rates and amounts assessed for the year ended December 31, 2018 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$ 3.39	\$ 7,965,097
School portion:		
State of New Hampshire	2.32	5,381,912
Local	16.50	38,748,271
County portion	1.08	2,531,334
Precinct portions:		
Breezy Gale Village	1.37	19,065
Cobbetts Pond Village	-	-
Moeckel Pond Village	0.30	2,125
Total	<u>\$ 24.96</u>	<u>\$ 54,647,804</u>

1-J Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of December 31, 2018.

1-K Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses) until then.

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

1-L Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities.

1-M Compensated Absences

Full time employees can accumulate earned time (combined vacation, sick leave, and personal time) based on years of service but must use a minimum number of days per year. Provision is made in the annual budget for earned time. Pursuant to the Town's personnel policy and collective bargaining agreements, employees may accumulate (subject to certain limitation) unused earned time and, upon retirement, resignation, or death will be compensated for such amounts at current rates of pay.

The liability for such earned time is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

1-N Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* and GASB Statement No. 82 *Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No.73* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

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The schedules prepared by New Hampshire Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions related to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

1-O Postemployment Benefits Other Than Pensions

The Town maintains two separate other postemployment benefit plans (OPEB), as follows:

New Hampshire Retirement System Plan – For the purposes of measuring the total other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System OPEB Plan (the plan) and additions to/deductions from the plan's fiduciary net position has been determined on the same basis as they are reported by the New Hampshire Retirement System. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Single Employer Plan – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined based on the Town's actuarial report. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms.

1-P Net Position/Fund Balances

Government-wide Statements – Equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

Restricted net position – Results when constraints placed on net position use are either externally imposed by a third party (statutory, bond covenant, or granting agency) or are imposed by law through constitutional provisions or enabling legislation. The Town typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a further project.

Unrestricted net position – Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

Fund Balance Classifications – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extent of the constraints placed on a government's fund balances are more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – Amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items, inventory or tax deeded property subject to resale); or (b) are legally or contractually required to be maintained intact.

Restricted – Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

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Assigned – Amounts that are constrained by the Town’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process.

Unassigned – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When multiple net position/fund balance classifications are available for use, it is the government’s policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last. The Town’s fund balance policy requires the maintenance of a minimum level of unassigned fund balance at \$300,000 annually.

1-Q Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, and the useful lives of capital assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town’s operations. At its annual meeting, the Town adopts a budget for the current year for the general, nonmajor capital project fund, and nonmajor Searles fund. Except as reconciled below, the budget was adopted on a basis consistent with US generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2018, \$639,236 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

The Town employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis presents the actual results to provide a comparison with the budget. A major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year-end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

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The following reconciles the general fund budgetary basis to the GAAP basis:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 14,604,873
Adjustment:	
Basis difference:	
Inception of capital lease	72,745
GASB Statement No. 54:	
To record revenue of the blended funds	12,967
To eliminate transfers between blended funds	(76,856)
Change in deferred tax revenue relating to 60-day revenue recognition recognized as revenue on the GAAP basis, but not on the budgetary basis	9,472
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 14,623,201</u></u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 14,453,749
Adjustment:	
Basis differences:	
Inception of capital lease	72,745
Encumbrances, beginning	564,544
Encumbrances, ending	(243,588)
GASB Statement No. 54:	
To record expenditures of the blended funds	8,969
To eliminate transfers between general and blended funds	(80,000)
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 14,776,419</u></u>

2-C Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, deferred inflows and outflows of resources, as follows:

	Local OPEB	State OPEB	Total OPEB
Change in total OPEB liability under current standards, January 1	\$ (532,566)	\$ (1,184,325)	\$ (1,716,891)
Initial balance of deferred outflows of resources	-	86,647	86,647
Initial balance of deferred inflows of resources	-	(3,737)	(3,737)
Cumulative restatement related to GASB No. 75 implementation (see Note 20)	<u><u>\$ (532,566)</u></u>	<u><u>\$ (1,101,415)</u></u>	<u><u>\$ (1,633,981)</u></u>

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DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

At December 31, 2018, the reported amount of the Town's deposits was \$23,436,875 and the bank balance was \$23,616,124. Of the bank balance \$23,612,843 was covered by federal depository insurance or by collateral held by the pledging bank's trust department in the Town's name, and \$3,281 was uninsured and uncollateralized.

Custodial Credit Risk – Deposits - Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 21,977,338
Cash per Statement of Net Position - Fiduciary Fund (Exhibit E-1)	1,459,537
Total cash and cash equivalents	<u>\$ 23,436,875</u>

NOTE 4 – RESTRICTED ASSETS

Cash and cash equivalents are classified as restricted for the following purposes:

Cash and cash equivalents:	
General fund:	
Escrow and performance deposits	<u>\$ 599,825</u>

NOTE 5 – INVESTMENTS

Note 1-E describes statutory requirements covering the investment of the Town funds. The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town maintains a portfolio consisting of original common stock certificates that are reported at fair value, based on quoted market prices (Level 1). As of December 31, 2018, the Town had \$124,935 invested in original stock certificates.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Treasurer and Selectboard investment policy states that 100% of the portfolio must have maturities of one year or less and 50% of that must have minimum maturities of 90 days or less. The Trustees of Trust funds investment policy does not directly address this risk.

Credit Risk - The Treasurer and Selectboard investment policy states that investments in bonds must have an investment grade rating issued by Moody's and S&P at minimums of Aa2 and AA, respectively. The Trustees of Trust funds investment policy does not directly address this risk.

Custodial Credit Risk – This is the risk that in the event of the failure of the counterparty (e.g. broker/dealer) to honor a transaction, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Treasurer and Selectboard investment policy require that federally insured banks shall have such funds, at the time of deposit or investment, secured by collateral having a market value at least equal to 102% of the amount deposited or invested. The Trustees of Trust funds investment policy does not directly address this risk.

Concentration of Credit Risk – The Town places no limit on the amount it may invest in any one issuer. More than 5% of the Town's investments are in Allied Signal, which are 96% of the Town's total investments.

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NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2018. The amount has been reduced by an allowance for an estimated uncollectible amount of \$75,000. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2018	\$ 1,444,528	\$ 1,444,528
Unredeemed (under tax lien):		
Levy of 2017	315,448	315,448
Levy of 2016	294,215	294,215
Levies of 2015 and prior	112,924	112,924
Less: allowance for estimated uncollectible taxes	(75,000) *	-
Net taxes receivable	<u>\$ 2,092,115</u>	<u>\$ 2,167,115</u>

*The allowance for uncollectible property taxes is not recognized under the modified accrual basis of accounting (Exhibit C-1 and C-3) due to the 60-day rule as explained in Note 1-B. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

NOTE 7 – OTHER RECEIVABLES

Receivables at December 31, 2018, consisted of accounts (billings for police details, ambulance, franchise fees, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

Receivables as of December 31, 2018 for the Town's individual major fund and nonmajor funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

	General Fund	Nonmajor Funds	Total
Receivables:			
Accounts	\$ 314,343	\$ 59,543	\$ 373,886
Intergovernmental	-	45,440	45,440
Gross receivables	314,343	104,983	419,326
Less: allowance for uncollectibles	(60,289)	-	(60,289)
Net total receivables	<u>\$ 254,054</u>	<u>\$ 104,983</u>	<u>\$ 359,037</u>

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 is as follows:

	Balance, beginning	Additions	Deletions	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 13,663,933	\$ -	\$ -	\$ 13,663,933
Construction in progress	834,285	-	(834,285)	-
Total capital assets not being depreciated	<u>14,498,218</u>	<u>-</u>	<u>(834,285)</u>	<u>13,663,933</u>
Being depreciated:				
Land improvements	1,789,923	-	-	1,789,923
Buildings and building improvements	9,096,028	-	-	9,096,028
Vehicles and equipment	6,644,793	1,486,094	-	8,130,887
Infrastructure	46,828,890	809,120	-	47,638,010
Total capital assets being depreciated	<u>64,359,634</u>	<u>2,295,214</u>	<u>-</u>	<u>66,654,848</u>
Total all capital assets	<u>78,857,852</u>	<u>2,295,214</u>	<u>(834,285)</u>	<u>80,318,781</u>

(Continued)

TOWN OF WINDHAM, NEW HAMPSHIRE
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Capital assets continued:

	Balance, beginning	Additions	Deletions	Balance, ending
Less accumulated depreciation:				
Land improvements	(1,470,226)	(42,545)	-	(1,512,771)
Buildings and building improvements	(4,740,999)	(226,971)	-	(4,967,970)
Vehicles and equipment	(3,978,138)	(518,888)	-	(4,497,026)
Infrastructure	(30,907,688)	(1,378,403)	-	(32,286,091)
Total accumulated depreciation	(41,097,051)	(2,166,807)	-	(43,263,858)
Net book value, capital assets being depreciated	23,262,583	128,407	-	23,390,990
Net book value, all governmental activities capital assets	<u>\$ 37,760,801</u>	<u>\$ 128,407</u>	<u>\$ (834,285)</u>	<u>\$ 37,054,923</u>

Depreciation expense was charged to functions of the Town based on their usage of the related assets. The amounts allocated to each function are as follows:

General government	\$ 39,852
Public safety	157,246
Highways and streets	1,771,769
Sanitation	66,159
Culture and recreation	131,781
Total depreciation expense	<u>\$ 2,166,807</u>

NOTE 9 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2018 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	<u>\$ 45,440</u>

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers - The composition of interfund transfers for the year ended December 31, 2018 is as follows:

	Transfers In:
	General
	Fund
Transfers out:	
Nonmajor fund	<u>\$ 11,674</u>

During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

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NOTE 10 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$20,994,064 at December 31, 2018 consist of the following:

General fund:	
Balance due to the Windham School District	\$ 19,630,183
Miscellaneous fees due to the State of New Hampshire	1,256
Total general fund	<u>19,631,439</u>
Agency fund:	
Windham School District trust funds	1,000,077
Windham School District impact fees	348,747
Village District trust funds	13,801
Total agency fund	<u>1,362,625</u>
Total intergovernmental payables due	<u><u>\$ 20,994,064</u></u>

NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources are as follows:

	Government- wide
Amounts related to pensions, see Note 14	<u>\$ 1,916,135</u>
Amounts related to OPEB, see Note 15	<u>209,463</u>
Total deferred outflows of resources	<u><u>\$ 2,125,598</u></u>

Deferred inflows of resources are as follows:

	Government- wide	General Fund
Property taxes not collected within 60 days of the fiscal year-end	\$ -	\$ 225,331
Property taxes collected in advance of commitment	146,688	146,688
Additional Highway block grant money received and not yet expended	273,786	273,786
Amounts related to pensions, see Note 14	1,007,834	-
Amounts related to OPEB, see Note 15	5,429	-
Total deferred inflows of resources	<u><u>\$ 1,433,737</u></u>	<u><u>\$ 645,805</u></u>

NOTE 12 – CAPITAL LEASES

The Town has entered into certain capital lease agreements under which the related equipment will become the property of the Town when all the terms of the lease agreements are met.

	Standard Interest Rate	Present Value of Remaining Payments as of December 31, 2018
Capital lease obligations:		
2017 Ford Explorers (5)	2.73%	\$ 61,563
Transfer Station Trailer	2.85%	41,677
2018 Ford Explorers (2)	4.29%	47,907
Total capital lease obligations		<u><u>\$ 151,147</u></u>

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Leased equipment under capital leases, included in capital assets, is as follows:

	Governmental Activities
Equipment:	
2017 Ford Explorers (5)	\$ 184,500
Transfer Station Trailer	64,700
2018 Ford Explorers (2)	72,745
Total equipment	321,945
Less: accumulated depreciation	51,236
Total capital lease equipment	\$ 270,709

The annual requirements to amortize the capital leases payable as of December 31, 2018, including interest payments, are as follows:

Fiscal Year Ending December 31,	Governmental Activities
2019	\$ 110,489
2020	47,239
Total requirements	157,728
Less: interest	6,581
Present value of remaining payments	\$ 151,147

Amortization of lease equipment under capital assets is included with depreciation expense.

NOTE 13 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2018:

	Balance January 1, 2018 (as restated)	Additions	Reductions	Balance December 31, 2018	Due Within One Year
Notes payable	\$ 1,017,268	\$ -	\$ (173,742)	\$ 843,526	\$ 161,603
Capital leases	183,410	72,745	(105,008)	151,147	105,559
Compensated absences	1,522,813	17,804	(16,932)	1,523,685	-
Net pension liability	15,609,215	-	(956,900)	14,652,315	-
Net other postemployment benefits	2,473,287	524,371	(48,905)	2,948,753	-
Total long-term liabilities	\$ 20,805,993	\$ 614,920	\$ (1,301,487)	\$ 20,119,426	\$ 267,162

Long-term notes are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2018
Notes payable:					
Fire Truck	\$ 334,816	2016	2019	1.50	\$ 84,062
Aerial Truck	\$ 850,000	2017	2027	2.45	759,464
Total					\$ 843,526

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The annual requirements to amortize all notes outstanding as of December 31, 2018, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2019	\$ 161,603	\$ 12,218	\$ 173,821
2020	79,601	16,985	96,586
2021	81,624	14,962	96,586
2022	83,652	12,934	96,586
2023	85,730	10,856	96,586
2024-2027	351,316	21,620	372,936
Totals	<u>\$ 843,526</u>	<u>\$ 89,575</u>	<u>\$ 933,101</u>

All debt is general obligation debt of the Town, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

Bonds/Notes Authorized and Unissued – Bonds and notes authorized and unissued as of December 31, 2018 were as follows:

Per Town Meeting Vote of	Purpose	Unissued Amount
March 10, 2015	Fire Engine/Tanker Truck	\$ 9,714
March 13, 2018	Conservation Land	2,000,000
		<u>\$ 2,009,714</u>

NOTE 14 – DEFINED BENEFIT PENSION PLAN

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time State employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

Benefits Provided – The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and available to pay retirement benefits to all members.

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC) multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by ¼ of 1% or age 60.

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Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances, subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

Contributions - The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. Police and fire are required to contribute 11.55% and 11.80% of earnable compensation, respectively. All other employees are required to contribute 7% of earnable compensation. For fiscal year 2018, the Town contributed 25.33% for police, 27.79% for fire and 11.08% for other employees. The contribution requirement for the fiscal year 2018 was \$1,274,251, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At December 31, 2018 the Town reported a liability of \$14,652,315 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2018, the Town's proportion was .30429281% which was a decrease of .01309715% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Town recognized pension expense of \$1,410,329. At December 31, 2018 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 100,825	\$ 550,127
Changes in assumptions	1,014,013	-
Net difference between projected and actual investment earnings on pension plan investments	-	339,067
Differences between expected and actual experience	116,952	118,640
Contributions subsequent to the measurement date	684,345	-
Total	<u>\$ 1,916,135</u>	<u>\$ 1,007,834</u>

The \$684,345 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending December 31,	
2019	\$ 510,956
2020	305,644
2021	(440,902)
2022	(151,742)
2023	-
Thereafter	-
Totals	<u>\$ 223,956</u>

Actuarial Assumptions – The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2017, using the following actuarial assumptions which, accordingly apply to 2018 measurements:

Inflation:	2.5%
Salary increases:	5.6% average, including inflation
Wage inflation	3.25%
Investment rate of return:	7.25% net of pension plan investment expense, including inflation

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Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on last experience study.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

Long-term Rates of Return – The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2018:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return
		2018
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	4.50%	0.50%
Short Duration	2.50%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	1.80%
Absolute Return Fixed Income	7.00%	1.14%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.25%
Opportunistic	5.00%	2.15%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total	100.00%	

Discount Rate – The discount rate used to measure the collective total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25% as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2018	\$ 19,495,025	\$ 14,652,315	\$ 10,593,976

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Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

NOTE 15 – DEFINED CONTRIBUTION PENSION PLAN

The Town has a defined contribution supplemental retirement plan that covers full time employees, except police and fire department employees. The plan was adopted on October 1, 1987. Employees are eligible for normal retirement after age 68. If a participant terminates their employment prior to the age of 65, they will be entitled to 100% of their contributions made and a percentage of the contributions made by the town based on completed years of service.

In order to participate in the plan, an employee must contribute an amount equal to 3% of their earnings. A participant may then make voluntary contributions up to an additional 10% of their earnings. The Town contributes 5% of the participant's total earnings to the plan. Covered wages paid under this plan during 2018 were \$2,390,520 or 35.4% of total wages of \$6,762,376. Employee contributions including additional voluntary contributions to the plan were \$119,526, or 5.0% of covered wages.

NOTE 16 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

16-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) administers a cost-sharing multiple-employer other postemployment benefit plan medical subsidy healthcare plan (OPEB Plan). For additional system information, please refer to the 2018 Comprehensive Annual Financial Report, which can be found on the system's website at www.nhrs.org.

Benefits Provide - Benefit amounts and eligibility requirements for the OPEB Plan are set by State law (RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b), and members are designated in statute by type. The four membership types are Group II, Police Officers and Firefighters; Group I, Teachers; Group I, Political Subdivision Employees; and Group I, State Employees. The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the medical subsidy amount, then only the health insurance premium amount will be paid. If the health insurance premium amount exceeds the medical subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

Group I benefits are based on creditable service, age and retirement date. Group II benefits are based on hire date, age and creditable service. The OPEB plan is closed to new entrants.

Maximum medical subsidy rates paid during fiscal year 2018 were as follows:

For qualified retirees not eligible for Medicare, the amounts were \$375.56 for a single-person plan and \$751.12 for a two-person plan.

For those qualified retirees eligible for Medicare, the amounts were \$236.84 for a single-person plan and \$473.68 for a two-person plan.

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2018, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2018, the Town contributed 4.10% for police and fire, and 0.30% for other employees. The contribution requirement for the fiscal year 2018 was \$163,310, which was paid in full.

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OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At December 31, 2018, the Town reported a liability of \$1,708,696 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Town's proportion of the net OPEB liability was based on a projection of the Town's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2018, the Town's proportion was .37320346% which was an increase of .11418408% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Town recognized OPEB expense of \$165,079. At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 111,118	\$ -
Net difference between projected and actual investment earnings on OPEB plan investments	-	5,429
Changes in assumptions	-	-
Differences between expected and actual experience	10,030	-
Contributions subsequent to the measurement date	88,315	-
Total	<u>\$ 209,463</u>	<u>\$ 5,429</u>

The \$88,315 reported as deferred outflows of resources related to OPEB results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31,	
2019	\$ 119,454
2020	(1,694)
2021	(1,694)
2022	(347)
2023	-
Thereafter	-
Totals	<u>\$ 115,719</u>

Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2018 and a measurement date of June 30, 2017. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Price inflation:	2.5 % per year
Wage inflation:	3.25 % per year
Salary increases:	5.6 % average, including inflation
Investment rate of return:	7.25 % net of OPEB plan investment expense, including inflation
Health care trend rate:	Not applicable, given that the benefits are fixed stipends

Mortality rates were based on the RP-2014 healthy annuitant and employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on last experience study.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

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Long-term Rates of Return – The long-term expected rate of return on OPEB plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2018:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return
		2018
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	4.50%	0.50%
Short Duration	2.50%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	1.80%
Absolute Return Fixed Income	7.00%	1.14%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.25%
Opportunistic	5.00%	2.15%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total	100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2018 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

Sensitivity of the Town's Proportionate Share of the OPEB Liability to Changes in the Discount Rate – The following table presents the Town's proportionate share of the OPEB liability calculated using the discount rate of 7.25% as well as what the Town's proportionate share of the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2018	\$ 1,778,419	\$ 1,708,696	\$ 1,513,392

Sensitivity of the Town's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Assumption – GASB No. 75 requires the sensitivity of the OPEB liability to the healthcare cost trend assumption. Since the medical subsidy benefits are fixed stipends, there is no sensitivity to changes in the healthcare cost trend assumption.

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit OPEB Plan financial report.

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16-B Town of Windham Retiree Health Benefit Program

Plan Description – GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires governments to account for other postemployment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their postemployment benefits, rather than when they use their postemployment benefit. The postemployment benefit liability is recognized on the Statement of Net Position over time.

Benefits Provided – The Town provides postemployment healthcare benefits for certain eligible retirees. The Town provides medical benefits to its eligible retirees. The benefits are provided through the New Hampshire Inter-Local Trust.

Employees Covered by Benefit Terms – At January 1, 2016 the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	21
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	84
Total participants covered by OPEB plan	<u>105</u>

Total OPEB Liability – The Town's total OPEB liability of \$1,708,696 was measured as of January 1, 2016, and was determined by an actuarial valuation of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$1,708,696 in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	3.42%
Healthcare Cost Trend Rates:	
Current Year Trend	9.00%
Second Year Trend	8.50%
Decrement	0.50%
Ultimate Trend	5.00%
Year Ultimate Trend is Reached	2026
Salary Increases:	3.00%

The selected discount rate is based on the prescribed discount interest rate methodology under GASB No. 75 based on an average of three 20 year bond indexes (e.g., Bond Buyer-20 Bond GO, S&P Municipal Bond 20 Year High Grade Rate Index, Fidelity GA AA 20 Years) as of June 30, 2017.

RP 2014 Health Male and Female Tables are based on the Combined Healthy Table for both pre & post retirement projected with mortality improvements using Projection Scale AA for 2 years, (i.e., from date of table to the valuation date), plus seven (7) years generational improvement. This is consistent with the prior valuation.

Changes in the Total OPEB Liability

	December 31, 2018
OPEB liability beginning of year	\$ 1,288,962
Changes for the year:	
Service cost	27,681
Interest	42,054
Changes in benefit terms	-
Assumption changes and difference between actual and expected experience	-
Change in actuarial cost method	-
Benefit payments	<u>(118,640)</u>
OPEB liability end of year	<u>\$ 1,240,057</u>

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Sensitivity of the Town's OPEB Liability to Changes in the Discount Rate – The January 1, 2016 actuarial valuation was prepared using a discount rate of 3.42%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$1,139,664 or by 8.10%. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$1,363,186 or by 9.93%.

	Discount Rate		
	1% Decrease	Baseline 3.42%	1% Increase
Total OPEB Liability	\$ 1,363,186	\$ 1,240,057	\$ 1,139,664

Sensitivity of the Town's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The January 1, 2016 actuarial valuation was prepared using an initial trend rate of 9.00%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$1,385,584 or by 11.74%. If the trend rate were 1% lower than what was used the OPEB liability would increase to \$1,114,537 or by 10.12%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 9.00%	1% Increase
Total OPEB Liability	\$ 1,114,537	\$ 1,240,057	\$ 1,385,584

OPEB Expense – For the year ended December 31, 2018, the Town recognized OPEB expense of \$69,735.

NOTE 17 – ENCUMBRANCES

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at December 31, 2018 and are as follows:

General fund:	
General government	\$ 26,655
Public safety	31,317
Highways and streets	79,665
Culture and recreation	24,432
Capital outlay	81,519
Total encumbrances	<u>\$ 243,588</u>

NOTE 18 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the Statement of Net Position at December 31, 2018 include the following:

	Governmental Activities
Net investment in capital assets:	
Net book value, all governmental activities capital assets	\$ 37,054,923
Less:	
Notes payable	(843,526)
Capital leases payable	(151,147)
Total net investment in capital assets	<u>36,060,250</u>
Restricted net position:	
Nonexpendable permanent funds	345,817
Expendable permanent funds	101,268
Library	78,674
Searles donation	962
Total restricted net position	<u>526,721</u>
Unrestricted	(14,950,228)
Total net position	<u>\$ 21,636,743</u>

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NOTE 19 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2018 include the following:

	General Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:			
Permanent fund - principal balance	\$ -	\$ 345,817	\$ 345,817
Restricted:			
Library	78,674	-	78,674
Searles donation	962	-	962
Permanent - income balance	-	101,268	101,268
Total restricted fund balance	79,636	101,268	180,904
Committed:			
Expendable trust	435,828	-	435,828
Non-lapsing appropriations	78,855	-	78,855
Public safety details	-	115,381	115,381
Recreation revolving	-	8,856	8,856
Land purchase conservation	-	360,286	360,286
Cable and health expendable trust	-	30,043	30,043
Public safety impact fees	-	375,781	375,781
Searles fund	-	10,063	10,063
Fire cistern	-	504	504
Forest maintenance	-	54,773	54,773
Total committed fund balance	514,683	955,687	1,470,370
Assigned:			
Encumbrances	164,733	-	164,733
Law enforcement	980	-	980
Exaction fees	11,477	-	11,477
Cable and health expendable trust	-	334,209	334,209
Total assigned fund balance	177,190	334,209	511,399
Unassigned	940,029	-	940,029
Total governmental fund balances	\$ 1,711,538	\$ 1,736,981	\$ 3,448,519

NOTE 20 – PRIOR PERIOD ADJUSTMENTS

Net position at January 1, 2018 was restated to give retroactive effect to the following prior period adjustments:

	Government-wide Statements
To restate for the cumulative changes related to implementation of GASB No. 75, see Note 2-C	\$ (1,633,981)
To adjust for understatement of compensated absence liability	(334,603)
Net position, as previously reported	24,729,326
Net position, as restated	\$ 22,760,742

NOTE 21 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2018, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs.

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The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2018 to December 31, 2018 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 22 – CONTINGENT LIABILITIES

There are various legal claims and suits pending against the Town which arose in the normal course of the government's activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the Town.

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

NOTE 23 – PERFORMANCE DEPOSITS

The Town holds letters of credit and surety bonds from developers until projects have been completed to Town standards. Due to the nature of these letters of credits and surety bonds they are not included as part of the financial statements. As of December 31, 2018, the Town held performance deposits totaling \$3,012,636.

NOTE 24 – HEALTH INSURANCE

Effective January 1, 1994, the Town provided employee medical/surgical benefits through a reduced premium plan, which is a modified self-insurance plan. The Town established a health insurance expendable trust fund, under RSA 31:19a to account for and finance its periodic insurance premiums and uninsured risk (the difference between prior coverage and current coverage levels). Effective January 1, 2003, the Town began augmenting the health insurance expendable trust with the general fund operating budget to fund health insurance costs. Employees are required to pay between 20-25% of the monthly premium. Expenditures during 2018 were \$315,243 for health insurance premium, \$5,201 for non-covered employee claims as a result of higher deductible and \$696 for administrative expenses. Claims are reviewed by an outside claim administrator and then paid by the Town. At December 31, 2018, the unexpended balance of the health insurance expendable trust is \$30,043. No outstanding claims were reported at December 31, 2018.

NOTE 25 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through October 25, 2019, the date the December 31, 2018 financial statements were available to be issued, and the following was identified:

At the March 12, 2019, the Town voted to authorize the issuance of three separate bonds or notes totaling \$2,846,500 to fund expenditures relating to the Southern New Hampshire Regional Water Line, to purchase conservation land and to purchase a transfer station truck.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
TOWN OF WINDHAM, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2018

	December 31,					
	2013	2014	2015	2016	2017	2018
Town's proportion of the net pension liability	0.30684318%	0.31828660%	0.31721457%	0.32000614%	0.31738896%	0.30429281%
Town's proportionate share of the net pension liability	\$ 13,205,482	\$ 11,947,160	\$ 12,566,541	\$ 17,016,632	\$ 15,609,215	\$ 14,652,315
Town's covered payroll	\$ 5,710,821	\$ 5,972,552	\$ 6,054,805	\$ 6,045,748	\$ 6,201,605	\$ 6,151,550
Town's proportionate share of the net pension liability as a percentage of its covered payroll	231.24%	200.03%	207.55%	281.46%	251.70%	238.19%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.47%	58.30%	62.66%	64.73%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

EXHIBIT G
TOWN OF WINDHAM, NEW HAMPSHIRE
Schedule of Town Contributions - Pensions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2018

	December 31,					
	2013	2014	2015	2016	2017	2018
Contractually required contribution	\$ 762,954	\$ 1,032,595	\$ 1,064,217	\$ 1,145,875	\$ 1,162,737	\$ 1,286,117
Contributions in relation to the contractually required contributions	762,954	1,032,595	1,064,217	1,145,875	1,162,737	1,286,117
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 5,710,821	\$ 5,972,552	\$ 6,054,805	\$ 6,045,748	\$ 6,201,615	\$ 6,151,550
Contributions as a percentage of covered payroll	13.36%	17.29%	17.58%	18.95%	18.75%	20.91%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

TOWN OF WINDHAM, NEW HAMPSHIRE

***NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY***

***FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018***

***Schedule of the Town's Proportionate Share of Net Pension Liability and
Schedule of Town Contributions - Pensions***

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits F and G represent the actuarial determined costs associated with the Town's pension plan at December 31, 2018. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2018:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	21 years beginning July 1, 2018 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.62% per year
Investment Rate of Return	7.25% per year, net of investment expenses, including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP -2015, based in the last experience study.

Other Information:

Notes	Contribution rates for fiscal year 2018 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
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EXHIBIT H
TOWN OF WINDHAM, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2018

	December 31,		
	2016	2017	2018
Town's proportion of the net OPEB liability	0.25761318%	0.25901938%	0.37320346%
Town's proportionate share of the net OPEB liability (asset)	\$ 1,247,119	\$ 1,184,325	\$ 1,708,696
Town's covered payroll	\$ 6,045,748	\$ 6,201,615	\$ 6,151,550
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	20.63%	19.10%	27.78%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

EXHIBIT I
TOWN OF WINDHAM, NEW HAMPSHIRE
Schedule of Town Contributions - Other Postemployment Benefits
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2018

	December 31,		
	2016	2017	2018
Contractually required contribution	\$ 149,689	\$ 153,521	\$ 165,079
Contributions in relation to the contractually required contribution	149,689	153,521	165,079
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Town's covered payroll	\$ 6,045,748	\$ 6,201,615	\$ 6,151,550
Contributions as a percentage of covered payroll	2.48%	2.48%	2.68%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

EXHIBIT J
TOWN OF WINDHAM, NEW HAMPSHIRE
Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios
Retiree Health Benefit Program
For the Fiscal Year Ended December 31, 2018

	December 31, 2018
OPEB liability, beginning of year	\$ 1,288,962
Changes for the year:	
Service cost	27,681
Interest	42,054
Benefit payments	<u>(118,640)</u>
OPEB liability, end of year	<u>\$ 1,240,057</u>
Covered payroll	<u>\$ 5,118,564</u>
Total OPEB liability as a percentage of covered payroll	24.23%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

TOWN OF WINDHAM, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFIT LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

***Schedule of the Town's Proportionate Share of Net Other Postemployment Benefits Liability and
Schedule of Town Contributions – Other Postemployment Benefits***

As required by GASB Statement No. 75, Exhibits H and I represent the actuarial determined costs associated with the Town's other postemployment benefits at December 31, 2018. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

There were no changes to benefit terms or assumptions in the current actuarial valuation report.

Methods and Assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	5-year smooth market: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.62% per year
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

Schedule of Changes in Town's Total Other Postemployment Benefits Liability and Related Ratios

As required by GASB Statement No. 75, Exhibit J represents the actuarial determined costs associated with the Town's other postemployment benefits at December 31, 2018. The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF WINDHAM, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2018

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 7,614,115	\$ 7,738,282	\$ 124,167
Yield	3,000	2,163	(837)
Boat	16,000	16,507	507
Payment in lieu of taxes	10,045	-	(10,045)
Interest and penalties on taxes	155,000	162,906	7,906
Total from taxes	<u>7,798,160</u>	<u>7,919,858</u>	<u>121,698</u>
Licenses, permits, and fees:			
Motor vehicle permit fees	3,850,000	3,913,816	63,816
Building permits	245,000	266,293	21,293
Other	158,650	155,054	(3,596)
Total from licenses, permits, and fees	<u>4,253,650</u>	<u>4,335,163</u>	<u>81,513</u>
Intergovernmental:			
State:			
Meals and rooms distribution	742,470	742,470	-
Highway block grant	341,224	341,031	(193)
Other	11,320	62,207	50,887
Federal:			
Other	-	3,523	3,523
Total from intergovernmental	<u>1,095,014</u>	<u>1,149,231</u>	<u>54,217</u>
Charges for services:			
Income from departments	<u>864,831</u>	<u>928,108</u>	<u>63,277</u>
Miscellaneous:			
Sale of municipal property	27,001	32,454	5,453
Interest on investments	22,000	33,744	11,744
Other	114,125	117,785	3,660
Total from miscellaneous	<u>163,126</u>	<u>183,983</u>	<u>20,857</u>
Other financing sources:			
Transfers in	100,000	88,530	(11,470)
Bond proceeds	2,000,000	-	(2,000,000)
Total other financing sources	<u>2,100,000</u>	<u>88,530</u>	<u>(2,011,470)</u>
Total revenues and other financing sources	16,274,781	<u>\$ 14,604,873</u>	<u>\$ (1,669,908)</u>
Unassigned fund balance used to reduce tax rate	<u>639,236</u>		
Total revenues, other financing sources, and use of fund balance	<u>\$ 16,914,017</u>		

SCHEDULE 2
TOWN OF WINDHAM, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2018

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 3,330	\$ 3,321	\$ -	\$ 9
Election and registration	-	36,300	23,884	-	12,416
Financial administration	-	1,404,095	1,302,500	17,375	84,220
Revaluation of property	-	189,790	185,487	-	4,303
Legal	-	50,400	64,516	-	(14,116)
Planning and zoning	-	522,250	490,648	-	31,602
General government buildings	-	430,815	428,558	3,080	(823)
Cemeteries	6,200	41,450	32,833	6,200	8,617
Insurance, not otherwise allocated	-	352,780	351,783	-	997
Other	-	4,000	24,558	-	(20,558)
Total general government	6,200	3,035,210	2,908,088	26,655	106,667
Public safety:					
Police	-	3,233,355	3,200,429	30,270	2,656
Fire	-	3,404,995	3,330,421	1,047	73,527
Emergency management	-	10,670	4,391	-	6,279
Other	-	475,110	464,797	-	10,313
Total public safety	-	7,124,130	7,000,038	31,317	92,775
Highways and streets:					
Highways and streets	145,800	1,177,420	1,138,806	79,665	104,749
Street lighting	-	18,890	18,064	-	826
Total highways and streets	145,800	1,196,310	1,156,870	79,665	105,575
Sanitation:					
Solid waste disposal	-	936,765	928,433	-	8,332
Health:					
Health agencies	-	46,690	45,826	-	864
Welfare:					
Administration and direct assistance	-	40,540	52,720	-	(12,180)
Culture and recreation:					
Parks and recreation	26,325	234,010	216,814	24,432	19,089
Library	-	1,151,010	1,124,219	-	26,791
Other	719	133,700	124,539	-	9,880
Total culture and recreation	27,044	1,518,720	1,465,572	24,432	55,760
Conservation	-	6,350	3,655	-	2,695
Debt service:					
Principal of long-term debt	-	161,513	161,512	-	1
Interest on long-term debt	-	20,789	20,789	-	-
Interest on tax anticipation notes	-	500	-	-	500
Total debt service	-	182,802	182,301	-	501
Capital outlay	385,500	2,746,500	951,202	81,519	2,099,279
Other financing uses:					
Transfers out	-	80,000	80,000	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 564,544	\$ 16,914,017	\$ 14,774,705	\$ 243,588	\$ 2,460,268

SCHEDULE 3
TOWN OF WINDHAM, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2018

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 939,236
Changes:		
Unassigned fund balance used to reduce 2018 tax rate		(639,236)
2018 Budget summary:		
Revenue shortfall (Schedule 1)	\$ (1,669,908)	
Unexpended balance of appropriations (Schedule 2)	2,460,268	
2018 Budget surplus		790,360
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		1,090,360
Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis		
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(225,331)
Elimination of the allowance for uncollectible taxes		75,000
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		\$ 940,029

SCHEDULE 4
TOWN OF WINDHAM, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2018

	Special Revenue Funds				
	Public Safety Detail	Recreation Revolving	Griffin Park	Land Purchase Coservation	Cable and Health Expendable Trust
ASSETS					
Cash and cash equivalents	\$ 55,838	\$ 8,856	\$ -	\$ 360,286	\$ 364,252
Investments	-	-	-	-	-
Accounts receivable	59,543	-	-	-	-
Intergovernmental receivable	-	-	-	-	-
Total assets	<u>\$ 115,381</u>	<u>\$ 8,856</u>	<u>\$ -</u>	<u>\$ 360,286</u>	<u>\$ 364,252</u>
LIABILITIES					
Interfund payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	115,381	8,856	-	360,286	30,043
Assigned	-	-	-	-	334,209
Total fund balances	<u>115,381</u>	<u>8,856</u>	<u>-</u>	<u>360,286</u>	<u>364,252</u>
Total liabilities and fund balances	<u>\$ 115,381</u>	<u>\$ 8,856</u>	<u>\$ -</u>	<u>\$ 360,286</u>	<u>\$ 364,252</u>

Special Revenue Funds				Capital Project Fund		
Public Safety Impact Fees	Searles Fund	Fire Cistern	Forest Maintenance	Castle Hill Bridge	Permanent Fund	Total
\$ 375,781	\$ 10,063	\$ 504	\$ 54,773	\$ -	\$ 322,150	\$ 1,552,503
-	-	-	-	-	124,935	124,935
-	-	-	-	-	-	59,543
-	-	-	-	45,440	-	45,440
<u>\$ 375,781</u>	<u>\$ 10,063</u>	<u>\$ 504</u>	<u>\$ 54,773</u>	<u>\$ 45,440</u>	<u>\$ 447,085</u>	<u>\$ 1,782,421</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,440</u>	<u>\$ -</u>	<u>\$ 45,440</u>
-	-	-	-	-	345,817	345,817
-	-	-	-	-	101,268	101,268
375,781	10,063	504	54,773	-	-	955,687
-	-	-	-	-	-	334,209
<u>375,781</u>	<u>10,063</u>	<u>504</u>	<u>54,773</u>	<u>-</u>	<u>447,085</u>	<u>1,736,981</u>
<u>\$ 375,781</u>	<u>\$ 10,063</u>	<u>\$ 504</u>	<u>\$ 54,773</u>	<u>\$ 45,440</u>	<u>\$ 447,085</u>	<u>\$ 1,782,421</u>

SCHEDULE 5
TOWN OF WINDHAM, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2018

	Special Revenue Funds				
	Public Safety Detail	Recreation Revolving	Griffin Park	Land Purchase Conservation	Cable and Health Expendable Trusts
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ 3,048	\$ -
Intergovernmental	-	-	-	115,500	-
Charges for services	207,360	56,255	-	-	-
Miscellaneous	379	22	2	934	303,977
Total revenues	207,739	56,277	2	119,482	303,977
EXPENDITURES					
Current:					
General government	-	-	-	-	321,140
Public safety	238,635	-	-	-	-
Highways and streets	-	-	-	-	-
Culture and recreation	-	56,146	-	-	-
Conservation	-	-	-	38,267	-
Debt service:					
Principal	-	-	-	-	-
Capital outlay	-	-	-	-	25,451
Total expenditures	238,635	56,146	-	38,267	346,591
Excess (deficiency) of revenues over (under) expenditures	(30,896)	131	2	81,215	(42,614)
OTHER FINANCING USES					
Transfers out	-	-	(11,674)	-	-
Net change in fund balances	(30,896)	131	(11,672)	81,215	(42,614)
Fund balances, beginning	146,277	8,725	11,672	279,071	406,866
Fund balances, ending	\$ 115,381	\$ 8,856	\$ -	\$ 360,286	\$ 364,252

Special Revenue Funds				Capital Project Fund		
Public Safety Impact Fees	Searles Fund	Fire Cistern	Forest Maintenance	Castle Hill Bridge	Permanent Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,048
-	-	-	-	56,800	-	172,300
-	-	-	-	-	-	263,615
91,762	29,269	2	165	-	(10,230)	416,282
91,762	29,269	2	165	56,800	(10,230)	855,245
17,500	17,088	-	1,198	-	-	356,926
21,635	-	-	-	-	-	260,270
-	-	-	-	56,800	-	56,800
-	-	-	-	-	-	56,146
-	-	-	-	-	-	38,267
12,230	-	-	-	-	-	12,230
-	13,128	-	-	-	-	38,579
51,365	30,216	-	1,198	56,800	-	819,218
40,397	(947)	2	(1,033)	-	(10,230)	36,027
-	-	-	-	-	-	(11,674)
40,397	(947)	2	(1,033)	-	(10,230)	24,353
335,384	11,010	502	55,806	-	457,315	1,712,628
\$ 375,781	\$ 10,063	\$ 504	\$ 54,773	\$ -	\$ 447,085	\$ 1,736,981